APPENDIX

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APPENDIX "A"

UNITED STATES COURT OF APPEALS

For the Seventh Circuit

Chicago, Illinois 60604

Argued June 10, 1982

August 19, 1982.

Before

Hon. WILLIAM J. BAUER, Circuit Judge
Hon. RICHARD D. CUDAHY, Circuit Judge
Hon. WILLIAM G. EAST, Senior District Judge*

No. 81-2930

UNITED STATES OF AMERICA,

Plaintiff-Appellant,

vs.

E. NICHOLAS WADE,

Defendant-Appellant.

Appeal from the United States District Court
for the Northern District of Illinois,
Eastern Division

No. 81 CR 0365

Stanley Roszkowski, *Judge*.

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* Honorable William G. East, Senior United States District Judge for the District of Oregon, sitting by designation.

ORDER

The defendant E. Nicholas Wade (Wade) appeals his final judgment of conviction and sentence entered by the District Court on November 24, 1981, following a jury verdict of guilty of seven counts of mail fraud and two counts of false statements to the Federal Deposit Insurance Corporation.

We note jurisdiction and affirm.

The substance of the charges against Wade arose from his allegedly fraudulent acts in managing the affairs of two business enterprises. Wade was the president of the Independence Land Title Corporation of Illinois (Title Company) and, with two other partners, was an owner and operator of Fieldcrest Homes. Fieldcrest Homes was engaged in the business of building and selling residential housing. Fieldcrest received construction loans to build these homes from a commercial lender. The loan was to be paid off when the houses were sold by Fieldcrest.

The Title Company, acting through Wade, was engaged in issuing to the public land title insurance policies as authorized by its underwriters. The Title Company also acted as the escrow closing agent on the sales of Fieldcrest homes and was responsible for maintaining in escrow the funds provided by the buyer at closing, and in turn, for paying those funds to Fieldcrest, or its lender, and to any other entity which had a lien on the property.

The sole issue on review is whether the District Court abused its discretion in denying Wade's pretrial motion to dismiss the indictment on the grounds of prosecutorial misconduct.

In particular, Wade claims that the Assistant United States Attorneys handling the grand jury in Wade's case so far overstepped their duties as to actually recite evidence and to interject their own information and opinions into the case for the grand jurors' considera-

tion. By doing so, claims Wade, they became *de facto* witnesses before the grand jury: they revealed a conflict of interest; and they became unauthorized persons in the grand jury room.

Wade has submitted in appendix form some ten excerpts of the reporter's transcript of the grand jury proceedings during which the asserted prosecutorial misconduct occurred. It appears that during the grand jury proceedings a Mr. Reidy and a Mr. Cook, Assistant U. S. Attorneys for the District, represented the Government. (Those two gentlemen are referred to interchangeably as the prosecutor.) We have perused each of the ten instances of claimed prosecutorial misconduct as revealed in the transcript excerpts. Our examination reveals that all of the comments by the prosecutors were in response to specific questions by a grand juror. The responses were either non-evidentiary or fully supported by prior sworn testimony. The numerous grand jurors' questions themselves indicate an active grand jury, and not one subjugated to the unfettered control of the prosecutor.

It is universally held that during grand jury proceedings, the use of fair, impartial summaries of the evidence and explanations of the allegations by the prosecutor is proper. *See* the excellent teachings of Judge Augustus N. Hand written almost seventy years ago in *United States* v. *Rintelen*, 235 F. 787, 791-92 (S.D. N.Y. 1916).

This court in *In re Perlin*, 589 F.2d 260, 264 n.4 (7th Cir. 1978), spoke of the importance of a prosecutor being able to fairly comment before the grand jury:

> On the propriety of the prosecutors influencing the grand jury, see the ABA Standards Relating to the Prosecution Function, Commentary pt. 3, Std. 3.5 "Relations with Grand Jury" (Approved Draft, 1971): "In situations where the prosecutor must prosecute an indictment returned by a grand jury, it is especially important that he be free to express his opinion. A prosecutor who has conducted an

> adequate investigation and analyzed the evidence is in a position to furnish guidance to the grand jury on the law and the weight of the evidence and should be free to do so whether this leads to a determination to indict or not be indict."

In the first challenged instance, the prosecutor was explaining the testimony just given by the witness. The explanation given by the prosecutor was specifically verified by the witness. We find the explanation and summary given by the prosecutor entirely devoid of the evils asserted by Wade. The interlacing relationships of the two companies were complex and the action of Wade in covering up his misappropriations was ingenious. We would find the explanation helpful to a discerning grand jury.

We find no merit in Wade's next eight contentions of prosecutorial misconduct. During the challenged proceedings, the prosecutor was merely providing a straightforward explanation of documentary evidence before the grand jury, explaining the law regarding the necessary elements of the charges against Wade, or answering specific questions posed by the grand jurors themselves. We are satisfied that none of these instances involve misconduct by either of the prosecutors.

Finally, Wade challenges the prosecution's continued questioning after he had asserted his Fifth Amendment privilege. Wade claims that the prosecutor's improper emphasis on Wade's reliance on the Fifth Amendment prejudiced him before the grand jury.

We conclude that Wade's contention is fallacious. In *United States* v. *Washington*, 431 U.S. 181 (1977), a potential defendant was summoned before the grand jury. To the argument that warning the defendant of his rights in the presence of the grand jury undermines assertion of the Fifth Amendment privilege by placing the witness in fear that the grand jury will infer guilt from the invocation of the privilege, the court replied:

> [T]his argument entirely overlooks that the grand jury's historic role is as an investigative body; it is not the final arbiter of guilt or innocence. Moreover, it is well settled that invocation of the Fifth Amendment privilege in a grand jury proceeding is not admissible in a criminal trial, where guilt or innocence is actually at stake.

Id. at 191.

The asking of several specific questions of Wade as to documents after the assertion of the Fifth Amendment privilege was proper to ascertain the full scope of the assertion. Until a witness actually testifies, the prosecutor may have an expectation of some useful testimony. For example, the witness may either change his mind or assert his privilege with care and selection. *United States* v. *Samango,* 450 F. Supp. 1097, 1106 (D. Hawaii 1978), *aff'd,* 607 F.2d 877 (9th Cir. 1979). A review of the transcript shows that the questions asked by the prosecutor were limited in their scope and number and were not abusive.

Our review of the record reveals that all of the comments by the prosecutors were responsive to specific questions and without error. The responses and comments were straight-forward and geared to advise the grand jury. The numerous grand jurors' questions themselves indicate an active and astute grand jury, and not one subjugated to the unfettered control of the prosecutor.

The District Court's final judgment of conviction and sentence is affirmed.

AFFIRMED.

APPENDIX "B"

UNITED STATES DISTRICT COURT

Northern District of Illinois

Eastern Division

Name of Presiding Judge, Honorable Joseph Sam Perry (for Judge Roskowski)

Cause No. 81 CR 365 September 28, 1981

United States of America vs. E. Nicholas Wade

Jury resumed for deliberation.

The jury returned verdicts as follows: "We, the jury, find the defendant, E. NICHOLAS WADE, GUILTY as charged in the indictment." "As charged in the following Counts of the Indictment, we, the Jury, find the defendant GUILTY: COUNT ONE; COUNT TWO; COUNT THREE; COUNT FOUR; COUNT FIVE; COUNT SIX; COUNT SEVEN; COUNT EIGHT; COUNT NINE." Defendant's counsel requested that the jury be polled. Judge Perry polled the jury and the jury confirmed its verdicts. The jury was then excused. It is ORDERED that defendant's signature bond of $4,500.00 stand; that the Probation Office conduct a presentence investigation and submit a report thereof by November 6, 1981; and that a sentencing hearing is set for November 10, 1981 at 10:00 A.M. before Judge Roskowski.

/s/ Perry, J.

September 30, 1981

UNITED STATES DISTRICT COURT

Northern District of Illinois

Eastern Division

Docket No. 81CR 365 - 1

United States of America vs. E. Nicholas Wade

JUDGMENT AND PROBATION/COMMITMENT ORDER

In the presence of the attorney for the government the defendant appeared in person on this date November 24, 1981

[ ] Without Counsel However the court advised defendant of right to counsel and asked whether defendant desired to have counsel appointed by the court and the defendant thereupon waived assistance of counsel.

[X] with counsel Raymond D. Pijon

[ ] Guilty, and the [ ] Nolo Contendere, [X] Not Guilty court being satisfied that there is a factual basis for the plea,

There being a verdict of

[ ] Not Guilty. Defendant is discharged

[X] Guilty.

Defendant has been convicted as charged of the offense(s) of unlawful enrich [sic] the defendant and his companies by fraudulently diverting funds entrusted to his companies by home buyers and their lending banks for the purpose of obtaining free and clear title to their new home in violation of Title 18, U. S. Code, Section 1341.

The court asked whether defendant had anything to say why judgment should not be pronounced. Because no sufficient cause to the contrary was shown, or appeared to the court, the court adjudged the defendant guilty as charged and convicted and ordered that: The defendant is hereby committed to the custody of the Attorney General or his authorized representative for imprisonment for a period of TWO YEARS on Count 1 and ONE YEAR on Counts 2, 3, 4, 5, 6, 7. Said sentence on Counts 2 through 7 to run consecutively to Count 1.

It is further ordered that defendant is hereby committed to the custody of the Attorney General for imprisonment for a period of THREE YEARS on Count 8. Said sentence on Count 8 to run concurrently to the sentences on Count 1 and on Counts 2 through 7 or a total of imprisonment for a period of THREE YEARS.

It is further ordered that on Count 9 defendant is placed on probation for a period of FIVE YEARS. Said sentence on Count 9 to run consecutively to the sentences on Count 1, on Counts 2 through 7 and on Count 8.

It is further ordered that defendant voluntarily surrender to the United States Marshal on January 5, 1982 before noon.

APPENDIX "C"

[From proceedings of October 7, 1980, while postal inspector Eric Levin was the sworn witness on the stand]:

BY A JUROR:

Q: The way I understand it, the first bank loaned money to Mr. Wade, he then sold these homes to the people that had bought them and claimed that they had paid for this insurance?

MR. REIDY [AUSA]:

Let me see if I can just run over that quickly again, and I will check with Mr. Levin who knows more about this than any of us to make sure that I am right.

The first bank that you referred to is First Financial Savings & Loan of Downers Grove. They loaned Fielderest which is Mr. Wade and Miss Govern and Mr. Mitz a substantial amount of money for the construction of various homes on different pieces of property.

At some point, Fielderest then sells the home to an individual who pays the full price of the home and expects a substantial portion of that payment to be given to First Financial to satisfy their claim on the property based on their first loan.

What appears to be happening, and the allegation that we are investigating, is that sometimes that money instead of being used to pay off the first loan is diverted by Mr. Wade or someone in Independence Land Title to other purposes, meaning that the person who acquires the home acquires the home that has a substantial encumbrance or lien or debt on it with respect to the original loan from First Financial to build it because those loans apply not only to the in-

dividual who gets the money but to the land and the house and the property that was used—that the money was used to build.

Because Mr. Wade has arranged for title insurance for the individual, the title insurance company actually bears the responsibility of paying off the first mortgage; that is, the debt owed First Financial, and, therefore, the individuals who get the house in the two situations we are looking at does, in fact, get the house, has no prior mortgage on it and they get the house for the price they paid.

However, the title insurance company who was apparently led to believe that that first mortgage would be paid off ends up paying anywhere from $120,000 to $160,000 in order to make good on their title insurance. So, as far as we know presently, if there is a loss here the ultimate loss is to the title insurance company whose agent Mr. Wade is in getting the title insurance policy.

Is that pretty much correct, Mr. Levin?

A: That is correct.

BY A JUROR:

Q: When the people get the title from the title insurance company, did they receive a title saying it is clear? Did they receive a title saying this is a clear title?

A: They were at the time of closing, a title policy was issued stating there was no previous mortgage commitment.

The person buying the home thought the only mortgage they had was to the bank they had secured their mortgage from.

Q: But this is Mr. Wade's company that is giving them clear title?

A: Yes.

MR. REIDY:

He is the broker, the local agent of the major company.

What the major company expects that he will not give that title to the individual until he has arranged to be very sure that the first loan is paid off. Everyone knows there is a first loan, a construction loan on this property, but when the buyer comes with his check for $180,000, you will see them there in that package, he expects that the $160,000 of that will be applied to pay off the first mortgage; and that is what the loan papers say and you will see that.

The agent to do that is the land title company. In this case, Independence Land Title who takes it and puts it into their escrow account which as many of you know means it is a special account, not my money, held for purposes of paying off somebody else's debt; and therefore, they expect the First Financial, the first loan to be paid off as a result of those proceeds.

Given that the money has gone into an escrow account rather than wait until they actually ascertain from First Financial in order to have a closing really be a closing, that is, have all things over on that day, they provide the title insurance policy based upon the representations of their local agent that he will take care of paying off the first loan.

BY A JUROR:

Q: E. Nicholas Wade was the local agent for Independence Land Title which is the local agency of U.S. Title Insurance Company?

A: That is correct.

MR. REIDY:

Q: I believe, and you can correct me if I am wrong, that E. Nicholas Wade essentially is Independence Land Title Corporation.

A: That is correct. He had Kane County.

Q: He has that corporation for—in order to be an agent of U.S. in Kane County.

A: That is correct.

MR. REIDY:

And he essentially owns that corporation. He serves as agent or broker of the national corporation.

A JUROR: In other words, it is just a franchise of the name?

MR. REIDY:

Well, that is one way of putting it.

Really, he is a broker, an agent of theirs. He acts as an agent in collecting title insurance fees because there is a fee connected with all of this, and he acts as their local agent. It is kind of a franchise. That is not a bad analogy.

A JUROR: Who asked for the investigation to begin with and how long has this been?

MR. REIDY:

Q: Eric [witness Eric Levin], can you do that better than I can?

. . .

BY THE FOREPERSON:

Q: I heard the date 1975 it seems to me mentioned in connection with one of these checks.

Yet, as I understand it, Fieldcrest was formed in 1977. Was 1975 inadvertent?

MR. REIDY:

I may have misspoke if I said 1975 or if Mr. Levin said 1975.

Apparently I did. If I did, I was wrong.

. . .

I appreciate your checking me on that.

Yes, ma'am?

A JUROR: I just wanted to get something clear. The mail fraud part of this is all these checks being passed back and forth through the mails, is that how it comes into effect?

MR. REIDY:

We have yet to finally nail down what mailings would be involved if we were going to make any charges but you have correctly identified the area we will look.

In any mailing that is caused you don't have to take a letter and put it in a mailbox under the law if you just conduct business in a way that causes mailings to occur or even if you cause yourself to receive mail and it is in connection with a fraud, that is enough to trigger our statute.

We don't expect frankly that there is going to be any difficulty finding a number of mailings in connection with these financial transactions.

. . .

BY A JUROR:

Q: They sold 20 homes approximately?

A: [Eric Levin] The first year of operation.

Q: The first year, and out of those 20 homes only these two are in the case?

A: No.

Q: So far?

A: The situation was when Fieldcrest Homes Incorporated started in '77 it was a good housing market. Houses were selling quite rapidly.

We have not found any dating back to that early time at all.

These homes you see were closed in the end of December of 1979, beginning of January 1980.

The housing market was booming when Fieldcrest was formed. These are much later, two years later.

BY MR. REIDY:

Q: In other words, of the 20 houses that I referred to as their having been sold in the first period. We have no reason to believe that this particular failure to pay off the first loan occurred on any of those, and I suspect we would know by now.

A: Correct.

MR. REIDY:

It wouldn't take them three years to discover that their loan wasn't paid off.

It is only in the late '79 and early '80 when the housing market became depressed and housing sales were down all over, and I think particularly in the very, very expensive housing range that we find this occurring.

What we are going to have to look at to see whether or not it was a result of a press of bills that probably occurred as a result of a slowdown in the housing market that caused them to need these extra funds.

BY A JUROR:

Q: Did they know the people? I mean, does Mr. Wade or Miss Govern, does she know these people that she sold the homes to like on a personal basis or contact of any kind?

A: I can only make an assumption there. I couldn't give a definite answer.

Mr. Wade was the closing officer so he would have met the people.

Q: I meant knew them personally?

A: No, these were people that come in from out of town and they were transferred here and were looking for a home and they saw Fieldcrest and found homes they liked.

MR. REIDY:

She may have had some professional contact with them as a real estate broker, but we don't

have any reason to believe she was selling to friends.

. . .

MR. REIDY:

Let me see if I can make it absolutely clear what the allegation is.

If this turns out to be correct, this will not be an allegation of having made a bad business judgment. This allegation is that Wade took money from the purchaser of the house, took the hundred and sixty-two or the hundred twenty-three thousand that had been set aside according to the closing papers for the payment of the prior mortgage and instead of paying off the prior mortgage he used the money for his own benefit or his own purposes.

What we really have is not a bad business judgment if this is correct but an embezzlement.

. . .

That's the ultimate result if these facts prove true.

If there are no further questions, I would ask the foreman to excuse Mr. Levin. . . . Unless there are questions of me, I am also through.

A JUROR:

What was Mr. Wade's reaction when you addressed him with confrontation? Was there any—

MR. REIDY:

My only dealings with Mr. Wade were immediately prior to coming here in the Grand Jury other than calling him and arranging for him to appear here.

A JUROR:

He had no inkling of why he was here?

MR. REIDY:

No, he had been told. I told him why he was here. I told him we were investigating the pos-

sible fraud with respect to Fieldcrest Homes and Independence Land Title and the loss of money, and the agents have told him that prior to when they came to get his —

No, I did tell him specifically why he was here and I had also told Miss Govern's lawyer why she was here; and in fact, they both knew that prior to coming here. They all knew why they were here and they elected to stand on the Fifth Amendment privilege.

A JUROR:

Their own attorneys, wouldn't those attorneys have suspected something?

MR. REIDY:

As far as I know, no.

There is no reason for them to suspect anything. I don't know how many of you have purchased homes, but I never checked to see whether or not the prior mortgagee was being paid off other than to see that that was said in the paper and that there was a check created for that purpose.

You can see if you look at those papers there is every reason to believe that Independence Land Title is paying off the loan.

A JUROR:

Every time we bought a home, they always brought it down to title and trust and it was at the time of closing always presented to the attorney who was representing us.

MR. REIDY:

That is right but all he would have seen, at least in many cases, I don't know about your particular case, is a check that says it is addressed to the prior loan holder, the prior mortgage holder, and that is frequently given to an escrow agent, sometimes the real estate agent if it is a real estate sale, sometimes a

title agent if there is a title involved, and then he takes care of actually transferring it to the prior bank. Sometimes the bank will do that as well.

Somebody other than the attorney actually carried the checks to pay off the prior loan over to the old bank and hands it to them.

We are always, I think, at a closing relying on somebody to do that unless the same bank is handling both loans.

All right. It is up to you, ladies and gentlemen.

. . .

[From the proceedings of October 7, 1980, while defendant E. Nicholas Wade was the sworn witness on the stand]:

(Whereupon the witness was excused and left the Grand Jury room.)

MR. REIDY:

If there are no questions of me at this time, I will get the agent and we will—

A JUROR:

Could you review again Margie's affiliation with Fieldcrest?

MR. REIDY:

Yes.

As a matter of fact, as you say that, you are being too kind to me, because review again implies I did it the first time, which I didn't. You are right. I never did say. I am glad you asked that question.

It is my understanding that Margie Govern together with Thomas Mitz who I may have mentioned but whose relationship I did not identify were each one-third owners of Fieldcrest Homes. The other one-third was owned by E. Nicholas Wade.

I think that perhaps—Miss Govern is a real estate broker or saleslady and has an expertise in selling homes in the area of where these homes were being built.

Mitz is in the construction end of things, and Wade is a businessman, an attorney.

I don't know that he practices actively but they all bring kind of a different expertise to a corporation that would be involved in building and selling homes.

[Further proceedings of June 30, 1981, while defendant E. Nicholas Wade was the sworn witness on the stand]:

MR. WADE:

I wish to consult my attorney.

Q: All right. You can take the exhibit with you.

(Whereupon, the witness left the Grand Jury room to confer with his attorney.)

A JUROR:

Does he have a public defender he has filed bankruptcy?

MR. COOK [AUSA]:

I don't know why.

A JUROR:

Are you going to try to get ahold of the escrow account?

MR. COOK:

This is the escrow account.

A JUROR:

For the land title company?

MR. COOK:

There are two groups of documents being obtained. One is the land company. The informa-

tion we have, or the allegation is that there were some private investors.

At the same time that the fraud was taking place with respect to the home buyers, there were some property buyers that he was also taking money from through the land company and putting into his own pocket. That's the allegation with respect to the Ontario and Western Land Company. We have these documents now.

The document he has here is the purported escrow with respect to the Lupe Richards.

(The witness returned to grand jury room)

(The foregoing excerpts from Grand Jury testimony appear, for the most part, as exhibits to defendants Motion to Dismiss, C. 14. Certain others were presented in open court, R. 2-4, and were included in a supplemental record filed on this appeal.)

Q [AUSA COOK]:
Mr. Wade, is it your intention to take the Fifth Amendment to these and all other questions which the Grand Jury may ask you with respect to Independence Land Title Company, Fieldcrest Homes, or the Ontario and Western Land Company?

A [Nicholas Wade]:
I'm sorry, but it is.

Q: Is there something that you want to discuss with the Grand Jury? You say you're sorry, but it is. For instance, what happened to the money that Mr. Staub gave you, Mr. Wade?

A: Mr. Cook, I'm taking the Fifth Amendment, pleading my Fifth Amendment privilege against self-incrimination to all questions here this morning.

Q: And that's also with respect to the Harris money that was obtained by you, Mr. Wade.

A: I am taking my Fifth Amendment right against self-incrimination to all questions.

If you would like me to consult with my attorney, I will do that at this time.

MR. COOK:

Does the Grand Jury have any further questions?

THE FOREPERSON:

Why don't you do that?

(Whereupon, the witness left the Grand Jury room to confer with his attorney.)

A JUROR:

Mr. Cook, as keeper of the records, does his Fifth and Sixth Amendment privileges, extend to refusing to identify documents? As keeper of the documents, don't we have a right to have him identify these documents?

MR. COOK:

The representation from defense counsel is that the escrow that was put together, the sheet, was put together after all the bankruptcy proceedings took place, and it was put together for the purpose of presenting it, apparently, to the bankruptcy creditors committee.

We went out and interviewed the people, and we have their statement with respect to what he represented at the time that he turned these documents over to them and what they purported to be.

I'll have the agent come in at a later time and lay that out for you, but with respect to this, it's probably enough for our purposes—If he's claiming that these are not the books and records of the company, I suppose in some respects that, in and of itself, incrimintes.

(The witness returned to the Grand Jury room.)

BY MR. COOK:

Q: Directing your attention again to Grand Jury Exhibit No. 2—

A: On advice of counsel, he has directed me to take the Fifth Amendment to all of your questions here this morning.

Q: As the keeper of the records of the Independence Land Title Company, you can identify these documents, this cover sheet, and these photocopies of checks as records of Independence Land Title Company?

A: No, I cannot. I plead the Fifth Amendment privilege against self-incrimination on all those matters.

MR. COOK:

I have no further questions for the witness.

THE FOREPERSON:

Mr. Wade, your subpoena will be continued generally, and you are excused for the day.

(Witness excused.)